

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Venezuela

Grain and Feed Update

G&F Semi-annual

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Report Highlights:

To support their food security policy, Venezuela is expected to continue importing basic commodities for MY 2010-2011. The United States will continue as one of the main suppliers of rice, yellow corn, and wheat, though other countries will be active in the market, too.

Post:
Caracas

Commodities:
Rice, Milled

Corn

Wheat

Executive Summary:

Last season's drought reduced rice and corn output, ensuring that Venezuela will continue importing those commodities. However based on expected better weather conditions, Venezuela's grain production could increase slightly in comparison to last season. Producers and the processing industry face disincentives such as controlled output prices that lag increases in production costs, squeezing margins. Expropriations and land seizures makes production and investment less rewarding, too. As such the Government, and for some commodities the private sector, will continue to import.

Author Defined:

RICE

Estimated rice production in Venezuela, even though better than last year, will not be enough to satisfy domestic demand and significant imports will again be needed for 2011. Harvest of the winter rice crop has already begun, and producers report that yields have fulfilled their expectations at about 5.0 metric tons per hectare.

For the upcoming summer cycle crop, irrigation conditions have improved as the water level at the Guárico dam, which supplies one of Venezuela's key rice regions, has improved. This may help increase area planted comparing seasons, because rice production in that area was hit during 2009-2010 by very dry conditions. Fixed rice prices were reviewed by the Government in September but despite an increase, producers claim that the new prices still lag production costs by 8.8 percent.

Official rice production figures differ from those of producers. For example, the Government says that 30,000 hectares were planted in the winter cycle in the Guárico area while producers say they planted only 17,000 hectares.

The Government continues to be the major rice importer through their food purchasing entity Corporación CASA. Ecuadorian authorities have announced a sale of 40,000 tons of rough rice to Venezuela in the next two months as part of a bilateral agreement. This would be the second deal between the countries; in July, Venezuela purchased 5,430 tons.

The Government of Guyana also announced new exports of paddy rice to Venezuela. Under an agreement between the two governments, the state-run Guyana Rice Development Board will export 50,000 tons of paddy rice to Venezuela by February 2011. A first shipment of 5,100 tons of paddy has been loaded. Guyana has already exported white rice to Venezuela but due to the excess milling capacity of Venezuela, the government has given preference to paddy trade.

According to the Guyana Minister of Agriculture, when compared to other markets, Venezuela offers the best price for white rice and paddy.

It is expected that Venezuela will continue importing paddy rice to meet their food security policy. Some rice will come from the U.S. and some from other South American countries. Total rice imports for 2010-2011 are estimated at about 270,344 tons.

CORN

As explained in the last annual G&F report, the severe drought that hit farmers last year resulted in a drop in planted acres and yields, and corn production fell about 30 percent. During 2009-2010 domestic corn production was about 1,400,000 MT. Besides unfavorable weather conditions (drought), the controlled price for corn has reduced planted area.

Production costs were reviewed by the Government in September 2010; however the new prices reportedly do not cover them, and producers recommend that the Government provide an incentive or additional economic compensation. In summary, drought and inflation, the later which runs at about 30 percent according to some sources, have increased production costs of grains.

The overall situation could be tougher for farmers in 2011 due to expropriations and more recently, the seizure of the main private sector distributor of agricultural inputs, agricultural services, and financing. Over 80 percent of area planted for corn corresponds to producers affiliated with private associations or production cooperatives. Production for 2010/11 is estimated to be only steady at 1,400,000 MT due to the unfavorable conditions above mentioned added to high costs of production and low farm gate prices that have not been revised.

The deficit is estimated to continue increasing and total corn imports, white and yellow, for 2010/11 are estimated at about 1.5 MMT.

At the beginning of October the Government announced that import licenses for yellow and white corn will be suspended for the remainder of the year to ensure that the industry and manufacturers of animal feed acquire the domestic harvest first. However, the domestic harvest will not be sufficient to cover demand, and additional imports of yellow corn will continue to be needed to cover the shortfall and to supply the growing feed industry.

WHEAT

Venezuela is heavily dependent on wheat imports and the main sources continue to be the United States and Canada. Import permits are reportedly being issued.

Importers had been facing some delays with Cadivi (Venezuela's foreign exchange control board) procedures, but the government has promised to expedite imports. Wheat and corn are still being imported directly by the private sector.

Venezuelan pasta manufacturers have also experienced occasional difficulties in getting enough imported raw material on time due to congestion at Venezuela's ports. This has affected pasta

inventories and additional charges unloading the cereal. Post expects trade wheat to continue to grow based on domestic food demand.

Table 1. Rice Supply and Demand Estimates

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